Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)		
	)		
Unbundling of Local Exchange	)	RM-8614	
Carrier Common Line Facilities	)		

REPLY COMMENTS OF SPRINT CORPORATION

Sprint Corporation ("Sprint"), on behalf of Sprint Communications Company, L.P. ("Sprint Communications") and the United and Central Telephone Companies ("the Sprint LECs") hereby provides its reply comments in the above referenced proceeding.[1] Sprint continues to support unbundling of common line facilities coincident with further action on access restructure and universal service reform.

I. INCUMBENT LEC COMMON LINE FACILITIES ARE A COMPETITIVE BARRIER TO ENTRY AND A BOTTLENECK FACILITY

Many of the Bell Companies and GTE claim that local loops are not a bottleneck facility and that they are subject to competition by alternative sources of access to end users.[2] The potential alternative methods of access to end users are loops constructed by competitive access providers ("CAPs"), loops derived from cable systems and CMRS service. While each of these methods of reaching the end user may be utilized to reach some customers in the future, none of them is currently a widely available substitute for the local loop ubiquitously deployed by the incumbent local exchange company ("LEC").

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[1] FCC Public Notice 52679, March 10, 1995.

[2] *See, e.g.*, BellSouth Telecommunications, Inc. at 6-9, NYNEX at 4-7, Southwestern Bell Telephone Company at 6-19, Bell Atlantic at 8-10 and GTE Service Corporation at 12-20.

NYNEX, for example, cites the deployment of CAP facilities near over 1,000 office buildings in the New York City area.[3] While that fact may be true, the question still remains whether CAPs have provided either effective local loop competition to NYNEX or a reasonable competitive substitute for the LEC local loop. Clearly, in the small business and residential segment of the local loop market, CAPs provide no local loop competition whatsoever. In the large business market an argument can be made that LEC local loops face some degree of competition. However, the fact still remains that many landlords of buildings deny entry to CAPs even though the CAP facilities pass nearby the building. Further, the predominant use of CAP facilities is for access transport competition with the incumbent LEC, not local loop competition.

For example, in New York City's LATA 132 (which includes Manhattan), only 6% of Sprint Communication's circuits are carried exclusively by Teleport Communication Group ("TCG"). The great bulk of Sprint Communication's circuits require use of NYNEX local loops. and cannot be provisioned solely by a CAP. LATA 132 is arguably the most robustly competitive access market in the nation, yet NYNEX captures 97% of Sprint Communication's access expenses even though Sprint Communications uses TCG to provide access transport for 50% of its DS1s and 40% of its DS0s in LATA 132. Thus, even in LATA 132, access competition is in its infancy and relies upon the LEC for the great bulk of its local loop access to end users. Further, those local loops available to CAPs are available only through resort to the Special Access tariffs of the LEC and interconnection is provided via expanded interconnection. The fact remains that local loops have not been made available to CAPS through reasonable unbundled arrangements.

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[3] NYNEX at 4-5.

Alternative local loop access via cable systems may be a method of reaching incumbent LEC end users in the future. Southwestern Bell noted that a trial to provide local exchange telephony using cable facilities, sponsored by Time Warner, is underway and two year old announcements of big plans to enter the telephony market have been made. However, no commercial deployment of cable telephony has occurred to date. Cable telephony remains an unfulfilled promise and is not currently a deployed competitor of the LEC's local loop. In fact, a LEC spokesman predicts failure.[4]

Further, the BOCs have significant contiguous territory covering entire major metropolitan areas. In contrast, cable systems are fragmented with many unaffiliated cable operators present in a single market. Very large segments of the cable industry have not announced plans to enter the telephony business. Indeed, many systems have too small a customer base to justify the telephony infrastructure that would be required for telephony entry. For at least this segment of the market, cable entry into telephony may never be a reality. Thus, there are large segments of the public served by cable systems where the LEC may never face viable local loop competition.[5]

The BOCs also claim that CMRS service is a reasonable alternative for local loop competition to the LEC. For the Sprint LECs, a residential customer uses his local service

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[4] Ray Smith, CEO of Bell Atlantic, recently noted that the Time Warner trial in Orlando, Florida was significantly behind schedule. Further, he predicts that cable telephony will be unsuccessful and not capture even 3 percent of the total telephony revenues in even the best cable markets. This outcome, if it comes to pass, does not produce robust competition in the local loop market. Wired, *Align and Conquer*, David Klein, February, 1995.

[5] *Id.* Ray Smith highlighted the problem posed by fragmented cable markets. He stated:

> But how successful are they [the cable companies] likely to be? Consider that Philadelphia, for example, is served by maybe 10 or 11 cable companies. Even inside the city there are four different cable companies. Four!
>
> Now you're telling me a consumer is going to subscribe with a cable-phone service that serves only one section of the city? That's going to be a pretty hard sale.

approximately 500 minutes per month. The nationwide average price for this type of flat rated service is approximately $16.00 In contrast, a cellular customer pays $.50 or more per minute for service.[6] If the average wireline local exchange customer migrated to wireless service under current pricing conditions, his bill would rise to $250.00. While CMRS prices are dropping, even under the 1999 CMRS industry pricing assumptions of Merrill Lynch, the price per minute for CMRS service would be $.14 per minute with a flat monthly activation fee of $13.85.[7] This would equate to a monthly expense of $83.85 for the average user if used as a wireline replacement. Thus, the question that must be considered is why would a consumer pay $250.00 in 1995 or $80+ in 1999 for local access when he could get it for $16 from the LEC? Under existing circumstances, a claim that CMRS service will displace the LEC local loop is not believable.

The conclusion to be drawn from these facts is that LECs possess a local loop facility that is unique, ubiquitous and a bottleneck that serves as a barrier to competitive entry by other telecommunications providers. Unbundling of the local loop will facilitate competition and promote entry long before such entry might be possible through other means.

II. ALLNET'S 5 MILE PLAN IS NOT REASONABLE

Allnet proposes that an unbundled local loop be provided so that "the unbundled loop cost[s] the same, regardless of whether the connection point is in the local central office, or within five miles of that office."[8] This proposal should be rejected.

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[6] Flat rate revenue plus revenue from all chargeable minutes divided by minutes of use.

[7] The Economics of the Sprint/Cable Alliance, Merrill Lynch, February 10, 1995 at 78.

[8] Allnet at 2.

What Allnet is seeking is avoidance of providing its own facilities to connect with a LEC wire center. To this extent, Allnet wants free access transport. Sprint believes that interconnection with the incumbent LEC should occur via either tariffed access charges or a variation of the expanded interconnection virtual collocation concept. The expanded interconnection concept does not contemplate a LEC providing free transport to the POP of the interconnection customer. If Allnet desires to interconnect with a LEC using a method other than tariffed access charges, it should contract with a current expanded interconnection customer (normally a CAP) for such connectivity or it should establish its own expanded interconnection arrangements with the LEC.

III. PRIVATE LINES ARE NOT A SUBSTITUTE FOR LOCAL LOOP UNBUNDLING

Private line or special access service is not a viable replacement for unbundled local loops, contrary to claims by some LECs.[9] Sprint asserts that the basic functionality performed by a local loop and by a special access channel termination or a private line channel termination are the same. The problem is the pricing differential. For example, in Baltimore, Maryland, Bell Atlantic charges $25.00 per month for an interstate voice grade channel termination or $24.61 for a similar intrastate channel termination. In comparison, the price for local residential service is $16.51 per month for a dial tone line and unlimited local usage. Bell Atlantic charges more for the bare channel termination without dial tone or switching than it charges for unlimited local service. Similar comparisons may be made for most LECs with similar results.

The simple fact is that a LEC usually charges more for a channel termination (a local loop) than it charges for a retail service that consumes the same facility. Forcing competitors to

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[9] *See, e.g.*, GTE at 23.

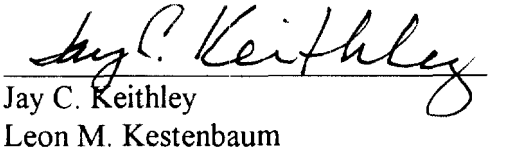
purchase channel terminations under such circumstances is a significant barrier to entry and appears unfair on its face. Unbundled local loops, offered at a fair price, is a preferable method for the Commission to use in promoting telecommunications competition. Sprint supports this solution.

IV. CONCLUSION

For the reasons shown above, the arguments that local loop unbundling should not occur should be rejected. Sprint supports action to unbundle local loops coincident with further action on access reform and universal service reform.

Respectfully submitted,

SPRINT CORPORATION



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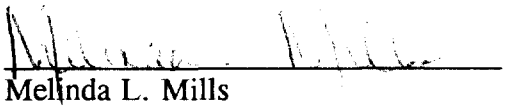
April 25, 1995

CERTIFICATE OF SERVICE

I, Melinda L. Mills, hereby certify that I have on this 25th day of April, 1995, sent via U.S. First Class Mail, postage prepaid, or Hand Delivery, a copy of the foregoing "Reply Comments of Sprint Corporation" in the Matter of Unbundling of Local Exchange Carrier Common Line Facilities, RM-8614, filed this date with the Acting Secretary, Federal Communications Commission, to the persons on the attached service list.



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